

## PRESS RELEASE

### **ESMA publishes results of its assessment of systemically important UK Central Counterparties**

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, today published a [Statement](#) and Report ([part 1 of 2](#) , [part 2 of 2](#)) on the conclusions from its assessment of Tier 2 Central Counterparties (CCPs) established in the United Kingdom (UK).

The Report identifies three clearing services, one provided by LCH Ltd and two by ICE Clear Europe Ltd, as being of substantial systemic importance for the European Union's financial stability and posing risks that may not be fully mitigated under the current EMIR regulatory framework. It concludes that the costs and risks of derecognising these services would outweigh the benefits to the EU at this time. The Report includes four sets of policy measures as a response to identified risks and vulnerabilities relating to systemically important UK CCPs serving European market participants.

ESMA's proposed measures include:

1. Considering appropriate incentives for reducing the size of EU exposures to Tier 2 CCPs;
2. Revising the comparable compliance framework;
3. Expanding ESMA's supervisory and crisis management toolbox; and
4. Enhancing cooperation with UK authorities on CCP recovery and resolution.

Verena Ross, Chair, said:

"CCPs are at the heart of the financial system. Clearing services provided to EU market participants by non-EU CCPs continue to be important for European financial markets. As a result of our comprehensive assessment, ESMA does not recommend that the European Commission derecognise the UK-based Tier 2 CCPs or their services at this time. However, we propose measures that aim to strengthen our approach to systemically important third country CCPs and



contribute to the ongoing stability of EU financial markets.”

Klaus Löber, Chair of the CCP Supervisory Committee, said:

“ESMA, following a comprehensive assessment, has formulated a range of measures that should be considered by relevant bodies as a response to the identified weaknesses and vulnerabilities. These measures include considering appropriate incentives for reducing the size of EU exposures to Tier 2 CCPs, reviewing the EMIR framework for comparable compliance, expanding ESMA’s supervisory and crisis management toolbox and enhancing cooperation with UK authorities on CCP recovery and resolution.”

The objective of ESMA’s assessment was to determine the risks posed by the two systemically important UK CCPs to the financial stability of the EU, or one of its Member States, as well as to consider the costs, benefits and consequences of a potential decision not to recognise the CCP or some of its clearing services, as required by Article 25(2c) of EMIR.

ESMA’s findings will also provide important input to the European Commission’s decision regarding the extension of its temporary equivalence decision for UK-based Tier 2 CCPs in early 2022.



## Notes for editors

1. [ESMA91-372-1913 ESMA Statement UK CCP Article25 2c Assessment 2021](#)
2. [ESMA91-372-1945 Assessment Report under Article 25\(2c\) of EMIR UK CCPs \(Part 1 of 2\)](#)
3. [ESMA91-372-1945 Assessment Report under Article 25\(2c\) of EMIR UK CCPs \(Part 2 of 2\)](#)
4. [ESRB Assessment](#)
5. ESMA is the European Union's securities markets regulator. Its mission is to enhance investor protection and promote stable and orderly financial markets.

It achieves these objectives through four activities:

- i. assessing risks to investors, markets and financial stability;
  - ii. completing a single rulebook for EU financial markets;
  - iii. promoting supervisory convergence; and
  - iv. directly supervising specific financial entities.
6. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

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